Global Fund

Market Overview

Fluctuating readings on the potential trajectory of central bank policy and acute signs of strain in the banking sector made for a volatile first quarter 2023, but investment assets in general continued to rebound from a very challenging 2022.

Shifting market dynamics during the quarter also prompted a change in style leadership. After outperforming by more than 2,100 basis points in 2022, the Russell 1000 Value Index lagged the Russell 1000 Growth Index by 1,340 basis points in the first quarter, as interest in these stocks appeared to reignite with the leveling off of interest rates and an uptick in liquidity. A rebound in beleaguered technology stocks helped fuel the style reversal, as the NYSE FANG+ Index returned nearly 40% over the first three months of the year. A similar trend could be seen in equity markets outside the US, which lagged domestic markets on the whole.[1]

Bank Failures Rooted in Covid-Era Stimulus

Oscillating market sentiment thus far in 2023 seems to suggest participants are struggling to develop a consensus view on the direction of interest rates and economic growth as the Federal Reserve and other major central banks continue to wring liquidity from the system. January's risk rally, fueled by hopes that the rate-hike cycle was nearing its end, faded in February as a hawkish string of data releases depicted resilience in the economy, labor market and prices. While markets seemed to coalesce around the "higher for longer" narrative by early March, subsequent tumult in the banking sector raised new uncertainties about the Fed's path forward and renewed old concerns about systemic fragility.

After a long period of relative calm in the US banking system, mid-March saw the midsized Silicon Valley Bank (SVB) and Signature Bank fail within days of one another. SVB was brought down primarily by its investment portfolio of long-duration fixed income securities, a portion of which it was forced to sell at large losses in the face of falling deposit levels. SVB's troubles produced runs at other banks deemed vulnerable in the uncertain environment, causing widespread weakness in bank equity prices and ultimately bringing down crypto-focused Signature Bank and prompting a cohort of the country's largest banks to assemble a rescue package for First Republic Bank.[2] Not long after, Swiss authorities engineered a swift deal for UBS to acquire Credit Suisse—one of 30 systemically important banks globally—as it teetered on the edge of insolvency.[3]

Market Summary	1st Quarter 2023
MSCI World Index	+7.73%
S&P 500 Index	+7.50%
German DAX Index	+12.25%
French CAC 40 Index	+13.39%
Nikkei 225 Index	+8.53%
Brent Crude Oil	-7.15% $79.77 a barrel
Gold	+7.96% $1,969.28 an ounce
US Dollar	+0.87% vs. yen -1.77% vs. euro

Source: Bloomberg, WM/Reuters.

While the issues in the banking sector have yet to demonstrate the kind of interconnectivity that spawned the global financial crisis in the late 2000s, we think it would be premature to signal all-clear. The US bank failures were idiosyncratic in nature but appeared to grow from a common systemic root: the massive stimulus rolled out in response to the disruptions from Covid-19. M2 money supply in the US, for example, grew by about 40% from March 2020 to its peak in April 2022. The resulting excess demand in the economy and very tight labor markets presaged a step function in inflation levels, necessitating Fed action—albeit with a pause enabled by the average inflation-targeting policy framework adopted by the central bank in 2020. The flexibility of this new framework allowed the Fed to let inflation run hot for a period of time—it's hard to imagine 12 months of unaddressed "transitory" inflation in the old regime—but as a result also required very aggressive tightening once underway.

In addition to promoting inflationary pressures, the expansion in the US money supply also produced a commensurate expansion of deposits in the banking sector. While some of these assets were held on reserve at the central bank, interest rates near zero incentivized banks to put this money to work in more potentially profitable ways. Many sought to scratch out marginal yield from their investment portfolios by increasing exposure to long-dated paper including sovereigns, which generally are assigned favorable risk weights when calculating capital requirements. Despite the limited credit risk posed

1. Source: FactSet; data as of March 31, 2023.
2. Source: Reuters; data as of March 16, 2023.
3. Source: Reuters; data as of March 20, 2023.

by these bonds, their long durations left holders quite vulnerable to the sharply rising rates that transpired in 2022.

Sovereign Credibility May Be Next Hot Spot

It's been our observation that crises historically have found fertile ground in areas of the economy where excesses of debt have built up; take, for example, the US corporate sector and the impropriety-driven collapses of Enron, WorldCom and Tyco in the early 2000s, or the household and mortgage debt in the mid-2000s that culminated in the global financial crisis.

Today, the locus of indebtedness is sovereigns, and it's possible that the recent banking crisis in the US—seemingly contained at this stage—is merely the opening act of a sovereign credibility crisis. On top of a massive stock of public debt, the waning demand for long-duration sovereign paper and a lack of fiscal discipline among policymakers suggest a possibility that investors may soon demand increased risk premia for bonds issued by national governments. We may have seen a sneak preview of how these dynamics can play out last fall in the UK, when the government issued a highly stimulative—and since-scuttled—budget proposal at odds with the Bank of England's inflation-fighting focus, quickly sending the pound to a record low against the dollar and 10-year gilt yields to levels not seen since 2010.[4]

We've long cautioned that conditions seemed ripe for the emergence of some sort of financial accident. While government intervention soothed jittery markets, the bank failures during the first quarter underscored the pronounced vulnerabilities inherent in today's financial system and the potential for unintended consequences as policymakers attempt to unwind years of highly accommodative monetary policy. It seems likely that the Fed's need to balance price stability with financial stability may further complicate its policy-making process going forward and lead to further market volatility.

All in all, the Global Value team is comfortable maintaining a "healthy paranoia" in this environment, focusing as always on avoiding the permanent impairment of client capital. We continue to seek resilience in our portfolios from the bottom up, searching for cash-flow-generative companies with strong market positions, healthy balance sheets and prudent management teams, and buying these stocks only when available at a "margin of safety."[5] As a result of this investment discipline, portfolios managed by the Global Value team had no direct exposure to Silicon Valley Bank or Signature Bank, and our exposure within the broader financial sector is biased toward large money centers and super-regional banks and financial services companies, alongside niche insurers, insurance brokers, payments networks, and clearing and custody platforms. In addition, many of our portfolios hold gold-related securities as a potential hedge against a range of adverse market developments, including elevated sovereign risk.

4. Source: Barron's; data as of September 26, 2022.
5. First Eagle defines "margin of safety" as the difference between a company's market price and our estimate of its intrinsic value. "Intrinsic value" is based on our judgment of what a prudent and rational business buyer would pay in cash for all of a company in normal markets.

Portfolio Review

Global Fund A Shares (without sales charge*) posted a return of 5.95% in first quarter 2023. All regions contributed to performance, led by North America and developed Europe; developed Asia excluding Japan lagged. Materials, information technology and communication services were the leading contributors among equity sectors; energy, financials and real estate were the primary detractors. The Global Fund underperformed the MSCI World Index in the period.

Leading contributors in the First Eagle Global Fund this quarter included Gold Bullion, Meta Platforms Inc. Class A, Oracle Corporation, Compagnie Financiere Richemont SA and Danone S.A.

Like the equity markets, gold bullion was volatile but ultimately positive during the quarter as markets sought to get a bead on the potential direction and magnitude of the global tightening cycle. The yellow metal rallied in January on data suggesting the Fed may have turned a corner in its effort to stabilize prices, though a hawkish string of releases in February dashed hopes that a policy pivot was imminent and dragged gold lower. Gold rallied again in March, as investors sought a potential "safe haven" amid tumult in the banking sector. Despite the volatility, gold ably served its function as a potential hedge against adverse conditions.

Shares of Meta Platforms—the parent company of Facebook, Instagram and WhatsApp, among others—performed well alongside a range of other technology names. In addition, investors welcomed a $5 billion expense reduction plan, lower capex guidance and a new $40 billion stock buyback. The company also indicated that its underlying business is improving because of a better environment for online ad spending in the US and Europe and higher monetization of Reels, its short-video feature. We continue to like Meta's potential ability to generate cash and its unique portfolio of assets.

Oracle Corporation is one of the world's largest independent enterprise software companies. The company topped earnings expectations for its most recent quarter, though disappointed slightly on revenue. Notably, it has made good progress integrating its acquisition of Cerner, which designs software to store and analyze medical records and other healthcare data; Cerner has performed better than expected, and Oracle turned its attention to cutting costs at the unit. The company's cloud-computing business has also performed well, and we continue to be encouraged by the company's progress on reinventing itself for the cloud-computing environment.

Reports of solid sales growth for the fourth quarter and first nine months of its fiscal year helped buoy the stock of Richemont, the Swiss luxury goods company that counts Cartier and Van Cleef & Arpels among its maisons. China's reopening has inspired a positive outlook on the company and the rest of the luxury goods industry with exposure there; recent years have seen China account for one-third of Richemont's revenue, though this is in the context of the unusual sales patterns that resulted from the pandemic.

French food giant Danone reported better-than-expected results for its most recent quarter. It appears the company is beginning to realize the potential benefits of its multiyear turnaround plan, which includes reshaping its portfolio of businesses through acquisitions and divestments and greater investment in its core brands, which could help support pricing power and margins over the long term.

The leading detractors in the quarter were Charles Schwab Corp, SLB, Elevance Health, Inc., British American Tobacco p.l.c. and NOV Inc.

Shares of Charles Schwab traded down on concerns that the failure of SVB could trigger a similar response from Schwab customers given its exposure to longer-duration mortgage-backed securities. We believe that the company's underlying business remains intact, although a few overhangs remain. We expect that company to temporarily halt its large capital return program, as it will likely be required to maintain a higher capital ratio going forward. The impact of the low, flat interest rate curve on net interest margin is also a concern.

Shares of oilfield service provider SLB, formerly Schlumberger, gave back some of its post-Covid gains as lower commodity prices weighed on the energy sector. The company has been repositioning its business to focus on international markets and on services that leverage its extensive intellectual property and technology capabilities. We believe SLB is well-positioned to benefit from a multiyear investment cycle to increase global energy capacity.

Elevance Health, the health insurer and healthcare-services provider formerly known as Anthem, reported impressive revenue growth for its most recent quarter, though higher operating costs resulted in a smaller profit compared to a year ago. Health insurers in general have traded lower in recent months as Congress and the Federal Trade Commission probe allegedly anticompetitive practices by pharmacy-benefit managers (PBM), which are companies that manage prescription drug benefits on behalf of payers like insurers and large employers. Given small PBM exposure, we believe any potential regulatory changes may have limited impact on Elevance.

British American Tobacco (BAT), the world's second-largest tobacco company, reported disappointing sales volume for its most recent quarter and provided lower-than-expected forward guidance. We attribute this to the normalization of consumer demand as fiscal stimulus from the pandemic is withdrawn. Also hurting volumes has been the rise in popularity of disposable vapes—a product line BAT does not sell. Notably, the company recently unveiled a plan to streamline its business by consolidating it into fewer units in order to improve collaboration and decision-making.

NOV, a Texas-based oilfield service provider, declined alongside other stocks in the energy sector, as lower energy prices served as a headwind after last year's outperformance. Specializing in complex rig equipment used in higher-cost extraction and production settings such as deep-water fields, NOV is well-positioned to benefit from a multiyear investment cycle to increase global energy capacity, in our view.

We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investments

* Performance for Class A shares without the effect of sales charges and assumes all distributions have been reinvested, and if a sales charge was included values would be lower.

Average Annual Returns as of Mar 31, 2023

				YTD	1 Year	5 Years	10 Years	Expense Ratio*
First Eagle Global Fund	Class A	without sales charge	SGENX	5.95%	-1.19%	6.02%	6.43%	1.11%
First Eagle Global Fund	Class A	with sales charge	SGENX	0.66%	-6.13%	4.94%	5.88%	1.11%
MSCI World Index				7.73%	-7.02%	8.01%	8.85%	

The performance data quoted herein represent past performance and do not guarantee future results. Market volatility can dramatically impact the Fund's short-term performance. Current performance may be lower or higher than figures shown. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Past performance data through the most recent month-end are available at www.firsteagle.com or by calling 800-334-2143.

The average annual returns for Class A Shares "with sales charge" of First Eagle Global Fund give effect to the deduction of the maximum sales charge of 5.00%.

*The annual expense ratio is based on expenses incurred by The Fund, as stated in the most recent prospectus.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

The federal funds rate is the interest rate at which depository institutions (banks and credit unions) lend reserve balances to other depository institutions overnight on an uncollateralized basis. Reserve balances are amounts held at the Federal Reserve to maintain depository institutions' reserve requirements. Institutions with surplus balances in their accounts lend those balances to institutions in need of larger balances.

Duration is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

M2 is the U.S. Federal Reserve's estimate of the total money supply including all of the cash people have on hand plus all of the money deposited in checking accounts, savings accounts, and other short-term saving vehicles such as certificates of deposit (CDs).

Sovereign debt is issued by a country's government to borrow money, and is also known as government debt, public debt, and national debt.

Government bonds in the UK, India, and several other Commonwealth countries are known as gilts. Gilts are the equivalent of U.S. Treasury securities in their respective countries. The term gilt is often used informally to describe any bond that has a very low risk of default and a correspondingly low rate of return.

Risk Disclosures

All investments involve the risk of loss of principal.

There are risks associated with investing in securities of foreign countries, such as erratic market conditions, economic and political instability and fluctuations in currency exchange rates. These risks may be more pronounced with respect to investments in emerging markets.

Investment in gold and gold-related investments present certain risks and returns on gold related investments have traditionally been more volatile than investments in broader equity or debt markets.

A principal risk of investing in value stocks is that the price of the security may not approach its anticipated value or may decline in value. "Value" investments, as a category, or entire industries or sectors associated with such investments, may lose favor with investors as compared to those that are more "growth" oriented.

One cannot invest directly in an index. Indices do not incur management fees or other operating expenses.

MSCI World Index measures the performance of large and midcap securities across 23 developed markets countries. The index provides total returns in U.S. dollars with net dividends reinvested. **Russell 1000® Value Index** measures the performance of large-cap value segment of the US equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. **Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the US equity universe. It includes those Russell 1000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. **NYSE FANG+ Index** is designed to represent a segment of technology and consumer discretionary sectors consisting of highly-traded growth stocks of technology and tech-enabled companies such as Facebook, Apple, Amazon, Netflix and Alphabet's Google. **S&P 500 Index** is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the US economy. Although the S&P 500 Index focuses on the large cap segment of the market, with approximately 80% coverage of US equities, it is also considered a proxy for the total market. **Nikkei 225** is an unmanaged price-weighted equity index, which consists of 225 stocks in the first section of the Tokyo Stock Exchange. **German DAX® Index** is unmanaged and tracks the segment of the largest and most important companies—known as blue chips—on the German equities market. It contains the shares of the 30 largest and most liquid companies admitted to the FWB® Frankfurt Stock Exchange in the Prime Standard segment. The DAX represents about 80% of the aggregated prime standard's market cap. The **French CAC 40** is an unmanaged market index designed to reflect the evolution of the Euronext Paris market. It is made up of the 40 highest ranking shares listed on the Paris market, according to criteria based on free float market capitalization and trading volume. The index is reviewed and adjusted every quarter in order to take into account changes concerning the size and the volume of the constituent companies.

The holdings mentioned herein represent the following total assets of the First Eagle Global Fund as of 31-Mar-2023: Gold Bullion 11.48%; Meta Platforms Inc. Class A 1.84%; Oracle Corporation 2.86%; Compagnie Financiere Richemont SA 1.70%; Danone S.A. 1.34%; Charles Schwab Corp 0.28%; SLB 2.06%; Elevance Health, Inc. 1.22%; British American Tobacco p.l.c. 1.42%; NOV Inc. 1.05%.

This commentary represents the opinion of the First Eagle Global Fund portfolio managers as of 31-Mar-2023 and is subject to change based on market and other conditions. The opinions expressed are not necessarily those of the entire firm. These materials are provided for informational purposes only. These opinions are not intended to be a forecast of future events, a guarantee of future results, or investment advice. Any statistics contained herein have been obtained from sources believed to be reliable, but the accuracy of this information cannot be guaranteed.

The Fund's portfolio is actively managed and holdings can change at any time. Current and future portfolio holdings are subject to risk.

The Fund may invest in gold and precious metals through investment in a wholly-owned subsidiary of the Fund organized under the laws of the Cayman Islands (the "Subsidiary"). Gold Bullion and commodities include the Fund's investment in the Subsidiary.

The opinions expressed are not necessarily those of the firm. These materials are provided for informational purposes only. These opinions are not intended to be a forecast of future events, a guarantee of future results, or investment advice. Any statistics contained herein have been obtained from sources believed to be reliable, but the accuracy of this information cannot be guaranteed. The views expressed herein may change at any time subsequent to the date of issue hereof. The information provided is not to be construed as a recommendation to buy, hold or sell or the solicitation or an offer to buy or sell any fund or security.

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Investors should consider investment objectives, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds and may be viewed at www.firsteagle.com or by calling us at 800-747-2008. Please read our prospectus carefully before investing. Investments are not FDIC insured or bank guaranteed and may lose value.

The First Eagle Funds are offered by **FEF Distributors, LLC**, a subsidiary of First Eagle Investment Management, LLC, which provides advisory services.

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